# To Our Shareholders

## Fiscal 2001 Results

During the fiscal year under review, Mitsubishi Estate and its consolidated subsidiaries recorded revenue from operations of ¥630,990 million (US$5,092.7 million), an increase of 9.9% from the previous fiscal year. Operating income increased 18.2% to ¥80,639 million (US$650.8 million). Brisk business in condominium operations for the Residential Development Division and notable contributions made by the International Business Division due to the booming U.S. economy were key factors in the increase. An extraordinary loss was recorded following the write-off of losses on non-performing fixed assets. However, extraordinary income was recorded due to gains on the sale of marketable securities and property and equipment. As a result, net income for the fiscal year under review totaled ¥19,832 million (US$160.1 million).

## Operating Environment

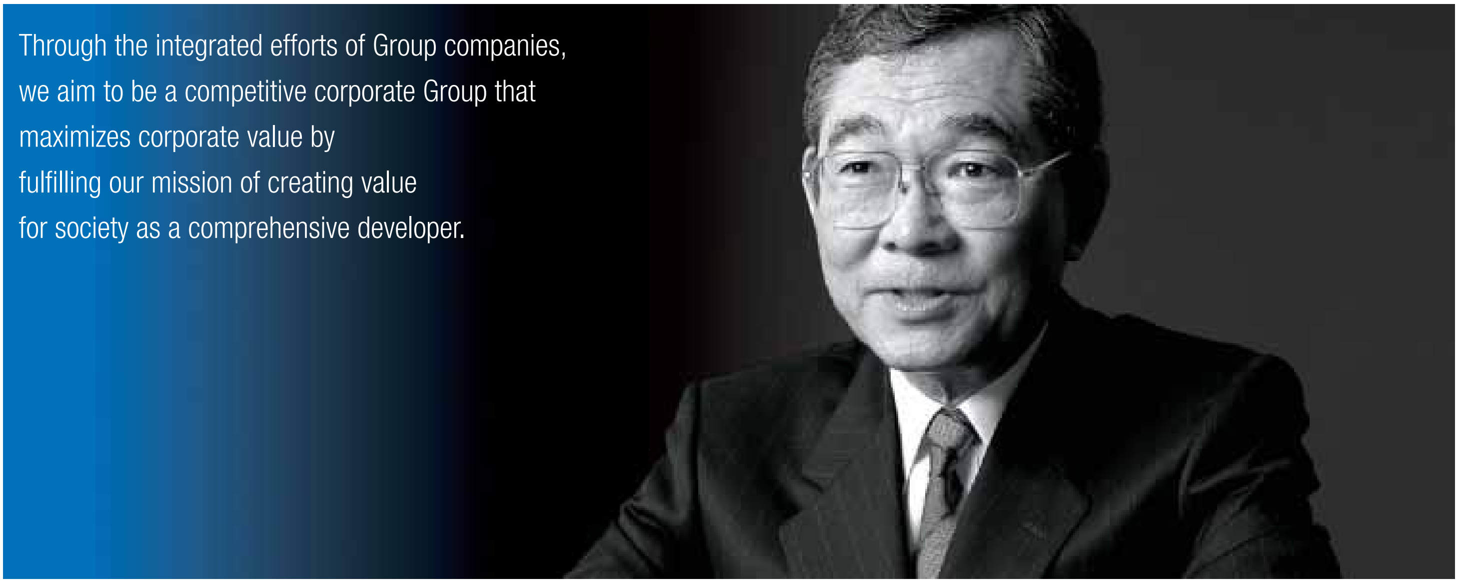
The business environment surrounding Mitsubishi Estate Group remains unpredictable. Although the vacancy rate for office buildings is improving, completions of large-scale office buildings will peak in 2003. Although the record-breaking condominium boom continues for the Residential Development Division, concerns have grown stronger over an impending deceleration in the condominium market. Amid forecasts of further market polarization, the Mitsubishi Estate Group is working hard to ensure profitability and improve operating and product planning capabilities.

In this operating environment, I believe the Mitsubishi Estate Group must work to effectively utilize management resources and strengthen Group management.

To maximize the effectiveness of management resources, we are promoting improvements in asset efficiency and pursuing efforts to invigorate human resources.

## Improving Asset Efficiency in the Redevelopment of the Marunouchi District

The redevelopment of the Marunouchi district is a pivotal project in improving asset efficiency. The renewal of office buildings in the Marunouchi district, which is central to the Building Business Division and a fundamental business of the Group, is an undertaking we must quickly complete to increase the profitability and competitiveness of the Group.




Investing ¥500 billion over a ten-year period started in 1998, we are renovating these office buildings to meet tenant needs through the reconstruction of six buildings and the renewal of existing buildings. By flexibly responding to modern trends and user demands, we aim to create an attractive community through town-style management of the Marunouchi district. We believe that reconstruction of the buildings and a new approach to management will enhance profitability of the Marunouchi district.

The selection and concentration of businesses is another important issue. Although we transferred a majority of shares of our subsidiary Fuji International Speedway Co., Ltd. to Toyota Motor Corporation, we are examining options including sale or withdrawal when dealing with unprofitable or inefficient operations.

We are aggressively working to find new business opportunities. As the real estate investment trust (REIT) market begins in 2001, we are continuing to expedite the listing of REITs.

The Marunouchi Building under construction, which is scheduled for completion in August 2002.

Accompanying the creation of this market, new needs will arise for such fee-based businesses as asset and property management of buildings in real estate funds and the development of properties to be sold to REITs. By employing our expertise as a developer, we are making aggressive efforts to take advantage of business opportunities.

## Invigorating Human Resources

Another important point in maximizing the effectiveness of management resources is the invigoration of human resources. In April 2000, Mitsubishi Estate moved to an employee salary system that emphasizes ability and performance. A performance-based compensation system tied to fulfillment of long-term management objectives has been in effect for directors as well. In addition, a stock option plan for directors was introduced in 2001. These initiatives are designed to stimulate directors' incentive to enhance corporate value over the medium and long term, thus increasing shareholder value.

In addition, Mitsubishi Estate has had in place an in-house venture capital system since 1999 to encourage entrepreneurial thinking. The system allows employees with business proposals to become the president of their own company. Established in April 2001 to effectively utilize company-owned resorts, the Shiki Resort Co., Ltd. was the first company created through this system.

In our new personnel system, we aim to invigorate human resources by aggressively shifting employees into such core operations as the Marunouchi redevelopment and the REIT business.

## Reinforcing Group Management

The Mitsubishi Estate Group has proclaimed 2001 as the full-scale start of Group management.

In moving to a divisional structure in April 2000, we restructured businesses and promoted improvements to efficiency in aiming to clarify authority and speed up decision making. In the Hotel Business Division, we established Royal Park Hotels and Resorts Co., Ltd. to unify Group hotel management, which was previously done individually for each hotel. The Architectural Design & Engineering Division was transferred to the subsidiary Mitsubishi Jisho Sekkei Inc. We plan to strengthen competitiveness by instituting a management and organizational structure optimal for an architectural office.

## Valuing Interaction with Stakeholders

We believe that communication between Mitsubishi Estate and all its stakeholders is very important in dealing with management issues. To this end, we have aggressively promoted information disclosure and aim for a high degree of transparency in Group operations. In April 2001, we established the Investor Relations Office to provide investors with timely information through the Internet and other means.

We are steadily advancing efforts to better respond to stakeholder concerns with speed and flexibility, with the ultimate goal of maximizing corporate value. We look forward to the support and cooperation of our shareholders.

S. Takagi

Shigeru Takagi
President

August 2001